



Overview of M&A activity
in the Baltics in the first half of 2020

2020 – grappling with the pandemic and economic consequences

56 – number of announced deals

€108m – the largest announced deal

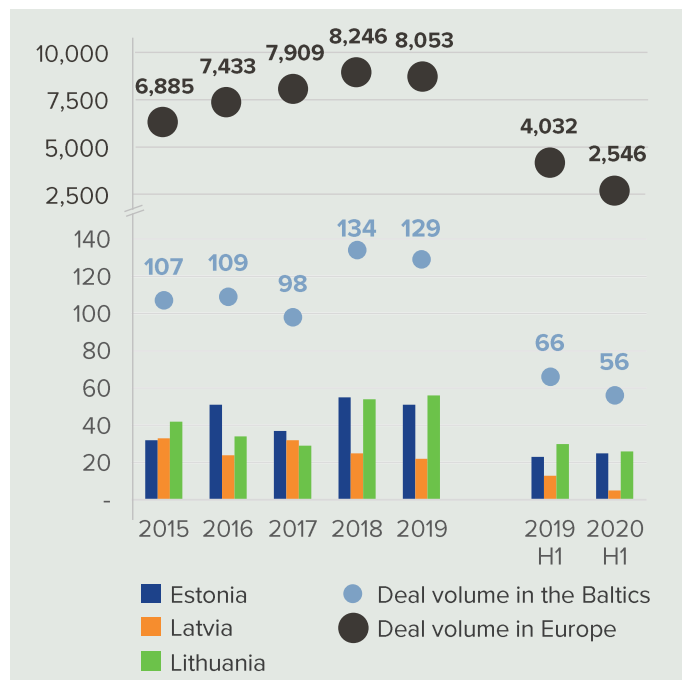
€500m – total disclosed value of announced deals

42% – weight of announced deals with a financial buyer

M&A across the Europe and Baltics

The COVID-19 pandemic restrictions had a considerable impact on business activity worldwide. In comparison with a robust 2019, there has been a steep decline in M&A activity in 2020 – Mergermarket reports that deal volume in the first half in 2020 in Europe fell by more than 30% in comparison to the same period in 2019. The deal value of the European M&A also fell to its lowest quarterly result for over a decade. With the Baltic decision-makers proving to be successful in the fight against the pandemic, M&A activity in the Baltics experienced a more measured decline falling by 15% against the first half of 2019 in terms of deal volume. Similarly to 2019, M&A deal activity in Latvia has been the lowest across the three Baltic countries:

- IT solutions, including software development, has kept the leading position in the Baltics as the industry with the most announced deals in 2020, amounting to a total of 11 transactions,
- Estonia continued to strengthen its leading position within the Baltic IT sector and attracted significant interest from both financial and strategic investors,
- Continuously high levels of M&A in the financial services industry were observed in Lithuania, with four announced deals in 2020,
- There has been growth in the M&A volumes in the internet and ecommerce solutions, strengthened by the growth of the digital economy as people were turned away from offices, stores, and leisure as part of pandemic-related safety measures.



Industries with the highest announced deal volume



IT solutions
11 deals



Financial services
8 deals



Industrial products
7 deals



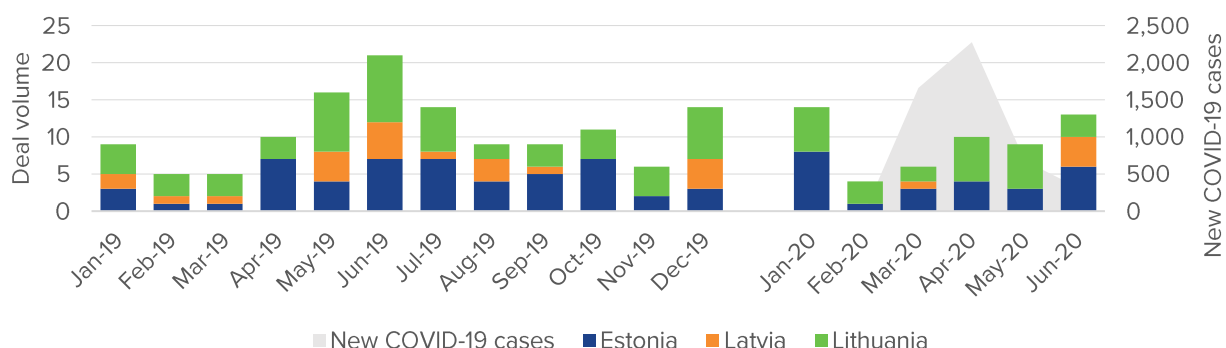
Internet & ecommerce
3 deals



Construction services
3 deals

COVID-19 impact

Activity in the first half of 2020 was largely driven by the COVID-19 pandemic, which had a massive impact on social life and economic activities worldwide. Europe-wide preventative and combative measures against the coronavirus resulted in plummeting M&A volumes. February and March saw the lowest M&A activity in the Baltics since 2013 with only 4 and 6 deals, respectively.



As the economies are beginning to open, M&A activity looks set to pick-up in the second half of 2020. Baltic states have shown resilience to the COVID-19 crisis, as Latvia, Lithuania, and Estonia were ranked first, second and third in EU in terms of the effectiveness of the response to the pandemic by OECD experts. As Oaklins Baltics experience shows, investor sentiment is rising as the number of new COVID-19 cases per month in the Baltics drop below 300. Several deals put on hold in early March have been reinitiated from both the buyers' and sellers' side.

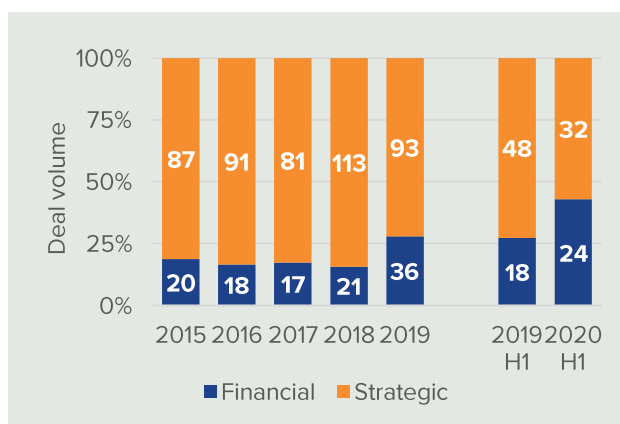
For the second half of 2020, we expect a further recovery of M&A activity. In addition, as Baltics have been one of the rare regions avoiding the necessity of full-scale lock-down, investors in several industries impacted the strongest by disruptions in production and services, see Baltics as "COVID proof" markets, making it interesting for potential acquisitions.

The uptick in activity in July and August lets us expect an increase in M&A activity by companies that have weathered the storm better than others – the ones with high cash reserves or "COVID proof" business models. Opportunistic buyers are expected to exploit the sectors that were negatively affected by the crisis, where several players may be forced to accept high price discounts. For companies and sectors that were able to benefit from the situation or even grow their business during the peak of the COVID-19 pandemic, we expect valuations to be of equal or even higher levels than at the beginning of 2020.

Investors' profile











Despite the overall lower levels of M&A activity in the Baltics, the involvement of financial investors has been increasing reaching past record-high levels of 2019.

While the crisis has severely damaged small and medium-sized enterprises and the impact is here to stay for the upcoming months, private equity firms find such a period of economic turmoil favorable. Decreasing revenues, mass layoffs, and the lack of bank financing create a great deal of potential acquisition targets for private equity funds who are well-capitalized. Despite the disruption caused by the pandemic, financial investors in the Baltics and worldwide possess large amounts of free funds and face increasing investment pressure due to nearing fund maturities



The decreasing involvement among strategic investors can be explained by the management of the companies across Europe being more preoccupied with managing the crisis and maintaining daily operation rather than focusing on expansion plans. As a result, many transactions are either delayed or not completed at all.

The largest deals in the Baltics

1.		→		Bank	Financial Services	Siauliu Bankas has acquired the Lithuanian branch retail loan portfolio of Danske Bank for €108m
2.		→			IT solutions	Estonian transportation platform company Bolt has raised a €100m investment from UK sponsor Naya Capital Management
3.		→		mobile payments	IT solutions	Boku acquired Fortumo, an Estonian billing service provider for €36m
4.		→			Telecommunications	UAB Bite Lietuva has acquired Mezon for €20m . Mezon provides internet and pay-TV services
5.	 <small>>EF Vostok Emerging Finance</small>	→			Internet & ecommerce	Lithuanian founded an electronic money institution TransferGo has raised \$9m in a new funding round

Source: Mergermarket database

Oaklins in the Baltics

- Over €5m of ALTUM state support financing raised for Latvian businesses in need for working capital with the help of Oaklins team in Latvia,
- The private owners of Admen, a leading custom signage manufacturer in the Nordics and CEE regions, have sold a 44% stake in the company to Orion Private Equity, including 4% of newly issued capital,
- The management team has acquired 49% of>NNL LT, an independent temperature-controlled logistics and warehousing company, from LitCapital and a small minority shareholder. Before the deal, the management team already owned the majority 51% of the company,
- Oaklins Baltics advised a cross-border buy-side deal for InHouse Finance, which belongs to one of the largest Lithuanian corporate groups ICOR, acquiring Improxy, a specialized IT solutions provider in Portugal.

A closer look at a deal



- Admen is a leading custom signage manufacturer in the Nordics and CEE regions. The company offers a full range of services: from concept and design to exceptionally detailed technical plans, manufacturing, delivery, and installation,
- Orion Private Equity is one of the longest-running asset management companies in Lithuania with US\$98 million assets under management, mostly in investment funds,
- Oaklins consulted the private owners of Admen, in the sale of a 44% stake in the company. As a result of the transaction, Admen was acquired by Orion Private Equity.

Oaklins | BALTICS

Oaklins is a global leader in M&A consultations of mid-sized enterprises. Oaklins offers the widest international resources – more than 800 M&A experts in 40 countries worldwide who operate in all financial centres of the world.